

AR40



HEAD OFFICE:

1960 - 505 BURRARD STREET, VANCOUVER, B.C.

SUBSIDIARY COMPANIES —

100% OWNED

Western Broadcast Holdings Ltd. — Vancouver, B.C.

Saturna Investments Ltd. — Vancouver, B.C.

Saturna Properties Ltd. — Vancouver, B.C.

Radio NW Ltd. — New Westminster, B.C.

Radio QR Ltd. — Calgary, Alberta

Radio OB Ltd. — Winnipeg, Manitoba

Radio ML Ltd. — Hamilton, Ontario

Western Broadcast Sales Ltd. — Vancouver, B.C.

Western Productions Ltd. — Vancouver, B.C.

Western Broadcasting (Sports) Ltd. — Vancouver, B.C.

68.5% OWNED

Northwest Sports Enterprises Ltd.

Vancouver Hockey Club Ltd.

AFFILIATED COMPANIES

British Columbia Television Broadcasting System Ltd.,
Vancouver, B.C.

Little Mountain Sound Company Limited — 50% interest

TO THE SHAREHOLDERS

Western Broadcasting's consolidated earnings before extraordinary items for the first half of 1977 were \$2,165,241 or 57.2 cents per share compared to \$2,181,200 or 57.7 cents per share in 1976.

Extraordinary items amounted to \$58,680 compared to \$4,156,638 the previous year. This year's gain was from income taxes recovered from losses carried forward while the previous year's gain resulted largely from gains on the sale of investments.

Consolidated revenues amounted to \$14,264,955 compared to \$13,545,681.

Radio revenues increased slightly for the period with overall margins being maintained.

Although television revenues exceeded budgets, B.C.T.V.'s earnings declined in the second quarter. This was due in part to a new competitor entering the British Columbia market. The Company incurred higher program, news and engineering costs during the last two months. Continued strong revenue projections, together with operating economies are expected to produce improved results in the second half of the year.

Hockey revenues and earnings remain comparable to those of the previous year.

Higher provincial income taxes reduced net earnings by approximately one cent per share.

Premier Cablevision Ltd.

The Company has purchased 157,278 shares (4.7%) of Premier Cablevision Ltd. at \$10.50 per share and has agreed to acquire a further 52% from Mr. S. Welsh and his associates and from Rogers Telecommunications Ltd. Financing of these acquisitions will be from Company resources and from a line of credit arranged with the Company's bankers.

The proposed purchase will be part of a Public Hearing of the C.R.T.C. on May 3, 1977 in Vancouver. If Commission approval is granted, the Company proposes to make an offering to the remaining shareholders of Premier to exchange their shares for shares of Western Broadcasting Company Ltd.

On behalf of the Board

FRANK A. GRIFFITHS, C.A.
President

WILLIAM J. HUGHES
Executive Vice-President

March 31, 1977



WESTERN BROADCASTING COMPANY LTD.

and Subsidiary Companies

INTERIM REPORT TO THE SHAREHOLDERS

6 Months to February 28
1977



WESTERN BROADCASTING COMPANY LTD.

and Subsidiary Companies

CONSOLIDATED STATEMENT OF EARNINGS

For the six months ended February 28, 1977
(with comparative figures for 1976)

(unaudited)

Six months ended
February 28
1977 1976*

Radio broadcasting revenues	\$ 8,487,742	\$ 8,037,875
Radio broadcasting expenses	6,019,157	5,683,586
Net broadcasting revenues	2,468,585	2,354,289
Hockey revenues	5,777,213	5,507,806
Hockey expenses	4,539,904	4,225,794
Net hockey revenues	1,237,309	1,282,012
Total net revenues	3,705,894	3,636,301
Equity in earnings of television broadcasting companies	388,891	560,786
Investment income	328,830	114,845
Interest expense	4,423,615	4,311,932
	62,139	217,391
Earnings before the following items	4,361,476	4,094,541
Provision for income taxes	1,999,385	1,706,620
Minority interest	196,850	206,721
Earnings before extraordinary items	2,165,241	2,181,200
Extraordinary items	58,680	4,156,638
Net earnings for the period	\$ 2,223,921	\$ 6,337,838
Earnings per common share		
- Before extraordinary items	\$.572	\$.577
- After extraordinary items	\$.588	\$ 1.713

* Restated on basis consistent with previous year's results.

CONSOLIDATED STATEMENT OF CHANGES IN WORKING CAPITAL

For the six months ended February 28, 1977
(with comparative figures for 1976)

(unaudited)

Six months ended
February 28
1977 1976

SOURCE OF WORKING CAPITAL

Operations		
Earnings before extraordinary items	\$ 2,165,241	\$ 2,181,200
Items not involving current funds		
Depreciation and amortization	216,286	184,403
Increase in equity of television broadcasting companies in excess of dividends (1977 - \$231,868; 1976 - \$214,033)	(157,023)	(346,753)
Minority interest in earnings of subsidiary company	196,850	206,721
Reduction in income taxes by losses carried forward	58,680	114,518
Increase in deferred income taxes	—	20,172
	2,480,034	2,360,261
Proceeds from disposition of investment less income taxes thereon of \$1,347,373	—	8,598,615
Premium on shares converted	—	14,242
Other	3,555	3,684
	2,483,589	10,976,802

APPLICATION OF WORKING CAPITAL

Redemption of preferred shares	1,271,050	—
Premium on shares redeemed	94,188	—
Additions to fixed assets	191,027	166,969
Increase in investments	1,653,000	28,979
Repayment of long-term debt	10,000	3,449,600
Dividends paid to minority shareholders of subsidiary	23,602	—
Dividends paid	744,716	709,663
	3,987,583	4,355,211
Increase in working capital	(1,503,994)	6,621,591
WORKING CAPITAL - Start of period	5,753,525	(6,983,091)
WORKING CAPITAL - End of period	\$ 4,249,531	\$ (361,500)

Report to the Shareholders

Despite the lacklustre economy, 1977 was a positive year for Western Broadcasting Company. Growth of the Company's earnings was restrained by voluntary compliance by the Company with government price restraint policies, and by new competition in television in British Columbia. Advertising revenues available were inhibited by a flat economy and by government restrictions.

In the circumstances, your management was encouraged by an 8% growth in the Company's regular earnings, from \$3,947,844 or \$1.05 per share, to \$4,252,903 or \$1.14 per share, in the year ended August 31, 1977.

Consolidated gross revenue increased from \$23,068,865 to \$24,011,478.

It is gratifying to note the growth of the Company in the ten years 1968 to 1977 from earnings of \$597,084 to \$4,252,903, a rate of growth of approximately 22% per year. We are optimistic that the following years will see continuation of our growth, both from internally developed earnings and by expansion of the base of our operations.

During the course of the year your Company sought to acquire control of Premier Cablevision Limited, Canada's largest cable T.V. company. While the decision of the Canadian Radio-television and Telecommunications Commission was negative, we are encouraged that the policies of the Commission do not now appear to preclude cross-ownership between broadcasting and cable T.V. We have, therefore, acquired 26.2% of Premier Cablevision's outstanding shares, largely flowing from earlier agreements entered into at the time of our application for control. We will include in our earnings of the coming year our equity in the earnings of Premier Cablevision Limited.

The aggregate cost of our investment in Premier Cablevision Limited is \$9.3 million, of which \$7.3 million was paid on September 2, 1977. These investments have been financed out of funds on hand and bank borrowings.

At August 31 certain changes were made in executive responsibilities in the Company. Mr. William J. Hughes withdrew from the board

and from his position of Executive Vice-President to concentrate his efforts as President of the Company's subsidiary, Vancouver Hockey Club Ltd. Mr. Hughes represents the Club as its Governor in the National Hockey League. In addition, he will continue to produce the very popular "Roving Mike" interview program which has been a feature on CKNW for many years.

Mr. Hughes has been associated with the Company and one of its subsidiaries for 31 years, during which time Western Broadcasting Company has attained an important position in the broadcast industry and in the Canadian business scene. Mr. Hughes has made a major contribution to this growth.

The directors are grateful to Mr. Hughes for his many years of assistance and have accepted his resignation from the board with regret.

Mr. J. Raymond Peters has been appointed to the position of President of the Company and chief executive officer from September 1, 1977. Mr. Peters is eminently qualified to undertake these responsibilities. He has had a long and successful career in broadcasting, with experience in all aspects of the industry. Mr. Peters has been President, for the past 14 years, of an affiliated company, British Columbia Television Broadcasting System Ltd., and we look forward in Western to further growth under his direction.

RADIO—British Columbia

CKNW continues to hold a leading position in the Vancouver market. CFMI-FM has achieved a significant audience during this year and now has the largest FM audience in Western Canada. Gross revenues and net earnings both increased satisfactorily for the year.

Mr. Hal Davis, formerly General Manager of Radio NW, has now been appointed to the newly created position of Director of Research & Program Development for the radio group in Western Broadcasting Company. Mr. Davis will coordinate and assist the Western stations to maintain the high standards of programming for which they are noted.

Mr. J. E. (Ted) Smith, an experienced executive for many years with the Western group and most

Left to right
F. A. Griffiths, *Chairman*
J. R. Peters, *President*



recently with CKNW, has succeeded Mr. Davis as General Manager.

RADIO—*Alberta*

The Alberta economy is expanding at a faster rate than the rest of Canada. CHQR has benefited accordingly and continues to make steady progress. Again this year CHQR increased revenues and profits substantially over those of the previous year.

RADIO—*Manitoba*

CJOB continues to be the dominant station in the Winnipeg radio market. CHMM-FM is making good progress to achieve a satisfactory share of the market for its country style format.

Gross revenues of these stations increased marginally. Net earnings, while still at an excellent level, dipped slightly below those of the previous year.

RADIO—*Ontario*

CHML and CKDS-FM both continue their leading positions in the Hamilton radio market. Gross revenues of these stations were nominally ahead of those of the previous year but costs of operation increased by slightly more than revenues. Management has been strengthened by the appointment of Mr. Don Luzzi as Station Manager. C.R.T.C. approval has now been obtained to increase the power of CHML and new transmitting facilities will be built during the 1978 year, which will provide an improved signal to listeners in the Hamilton area.

TELEVISION

BCTV strengthened its leadership of television audiences in the Province of British Columbia despite the commencement of operations of a new competitor in Vancouver. Revenues associated with this audience growth increased satisfactorily; however, the rapid increase in the costs of news programming, foreign program purchasing and program production caused net revenue to be only marginally improved over fiscal 1976.

SOUND PRODUCTION

In its brief history, Little Mountain Sound studio has gained wide recognition in the international

recording industry. This year, 24-track facilities were installed, making the studio comparable to the best in North America.

These facilities are now heavily used by many world renowned recording artists, as well as by many local commercial producers.

Little Mountain Sound is 50% owned by your Company and its results have been included in our accounts for the first time this year. The Company has made excellent progress during the first two and one-half years of its operation and is hopeful that it will soon be a contributor to Company profits.

HOCKEY

Northwest Sports Enterprises Ltd.—
Vancouver Canucks (68.5% owned)

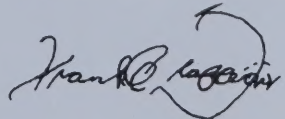
Despite the fact that the Vancouver Canucks did not qualify for the NHL playoffs in 1977, Vancouver hockey fans continued to support the team in large numbers, with the result that earnings of this company were satisfactory. At the end of the playing season management changes were made, directed at improving the team's on-ice performance.

GENERAL

The Company has increased its dividends from 9½ cents to 10¼ cents per quarter commencing with the September 30, 1977 payment. Your directors authorized the redemption of the outstanding preferred shares at \$27.50, effective December 31, 1976.

Reliable profits are essential for continued company growth and shareholders' confidence. The continued increase in earnings in the past year fulfills this requirement. These results have been achieved thanks to the talents and efforts of our staffs.

ON BEHALF OF THE BOARD



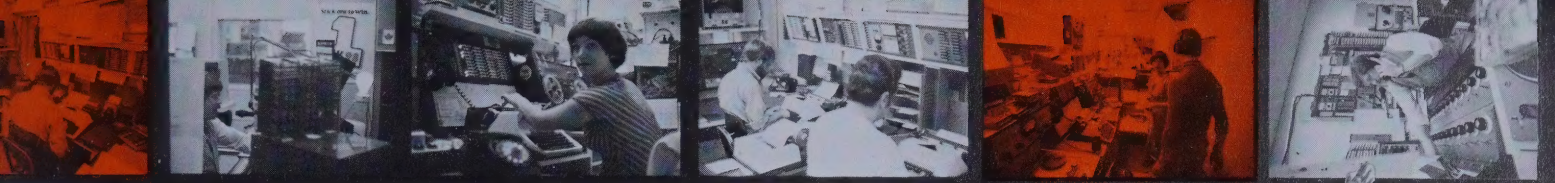
Frank A. Griffiths, C.A.
Chairman

Nov. 14, 1977



A DAY IN THE LIFE OF





WESTERN BROADCASTING

Perhaps more than any other indicator in society the entertainment industry reflects constantly changing social and cultural values.

Audiences for programs scheduled on radio and television stations and spectators for sporting events cannot be coerced into viewing, listening or attending. They make a conscious decision to choose amongst competing options.

In the broadcast spectrum, the subtle balance of news, information and entertainment which will appeal to one audience group may not satisfy another segment. To be successful in their respective communities, operators must be sensitive to shifts in public tastes and interests in order to sustain the widest possible audience appeal.

We are proud of the fact that throughout their many years of operation and continuous growth, the companies in the Western Broadcasting group have been consistent leaders in the communities they serve.



CKNW/CFMI-FM Broadcast phenomenon on the West Coast

The consistency with which CKNW and now its sister FM station CFMI have held their position of leadership in what many regard as Canada's most volatile radio market, must surely be a phenomenon in Canadian radio.

Perhaps the simple management philosophy which has been responsible for this success can best be expressed in the phrase, "When you've

got a good thing going, why change it?" As an evidence of stability 'NW points with pride to the fact that a number of employees have been with the station for twenty to thirty years.

In what might be described as the Radio Open Line Capital of Canada, NW's open line hosts consistently satisfy the great demands of their large and loyal following.

In tune with their listeners' tastes, CFMI's separate musical selection is contemporary and appealing. As the big sports station in the market, CKNW carried more than 100 of the top sporting events in the past season.

The CKNW Orphan's Fund provides a focus to the station's intensive community involvement. The Bartenders' Blitz in December, the August 1st Harbour Tours, the Christmas Fair, the year 'round Orphans' Fund Bowling League and the Annual Herring Sale in which one hundred and three tons of herring were sold, all generate much needed funds for this worthy cause.

In the Spring, the CKNW Orphans' Fund picnic provides an outing for more than 2,000 handicapped and underprivileged children.



CHQR

Quality radio in the Wild West

Ask a visitor from England, France or the United States, which Canadian city most truly reflects "the West" and the answer will be Calgary. Combine that western spirit with Alberta's phenomenal growth—the fastest growing province in Canada—and you have the elements that generate leadership, community involvement and commitment on CHQR.

To meet the challenge, CHQR has continued to expand and upgrade its coverage of general news and news of the business community. CHQR becomes more involved in community activities and action with each passing year.

Highlight of CHQR's community activities continues to be the "Light Up a Child's Life" campaign which was successful this year in raising \$25,000. The contribution goes to the Calgary Cerebral Palsy Association.

Visitors to the "QR Centre" are impressed with the unique concept of a radio station, dining lounge and live theatre all located under one roof, providing for the performing arts a highly visible and significant position in the cultural community.



CJOB/CHMM-FM **Communicating** **the vitality of Manitoba**

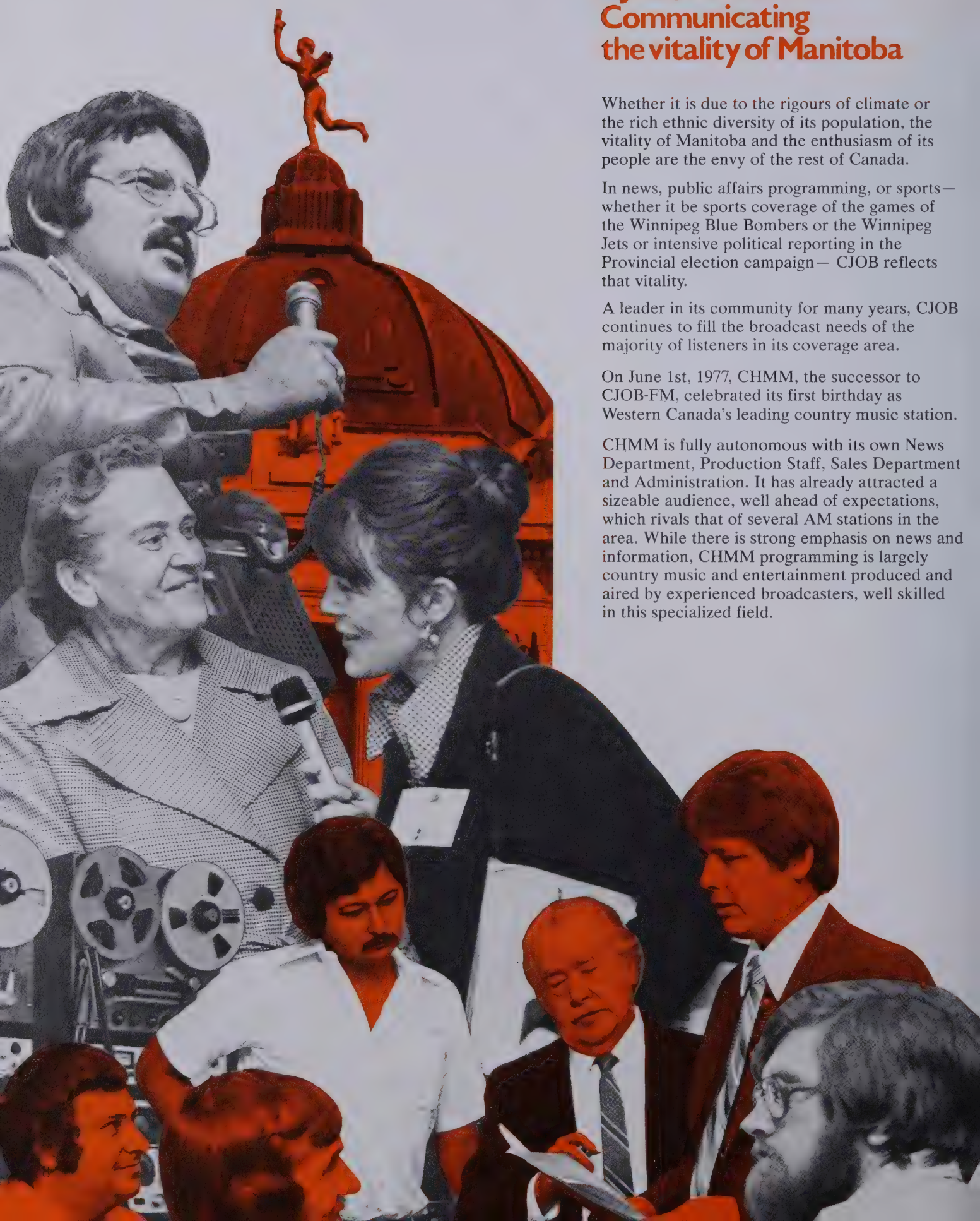
Whether it is due to the rigours of climate or the rich ethnic diversity of its population, the vitality of Manitoba and the enthusiasm of its people are the envy of the rest of Canada.

In news, public affairs programming, or sports—whether it be sports coverage of the games of the Winnipeg Blue Bombers or the Winnipeg Jets or intensive political reporting in the Provincial election campaign—CJOB reflects that vitality.

A leader in its community for many years, CJOB continues to fill the broadcast needs of the majority of listeners in its coverage area.

On June 1st, 1977, CHMM, the successor to CJOB-FM, celebrated its first birthday as Western Canada's leading country music station.

CHMM is fully autonomous with its own News Department, Production Staff, Sales Department and Administration. It has already attracted a sizeable audience, well ahead of expectations, which rivals that of several AM stations in the area. While there is strong emphasis on news and information, CHMM programming is largely country music and entertainment produced and aired by experienced broadcasters, well skilled in this specialized field.



CHML/CKDS-FM Hamilton: Fifty and growing

Fifty years is a long time in the broadcasting history of Canada. Very few Canadian stations share in that historic record. CHML is proud to be one of them.

Serving Canada's industrial heart of Ontario for half a century, CHML has grown with the developing community.

From the outset the station established a programming philosophy which exists to this day: heavy emphasis on popular music, comprehensive news and sports, lively entertainment and total service to the community. If anything, in succeeding years the station has intensified its commitment to popular programming and integrated local service which is reflected in its continued position of leadership in its community.

A sister station, CKDS/Stereo 95, was launched in 1966 with spectacular success. Second only to its parent CHML in the City of Hamilton, it holds a unique record for popularity amongst all FM stations in the country.

As a fitting tribute to its Golden Anniversary Year, CHML proudly announces a power increase to 50,000 watts which will greatly increase its number of listeners throughout Ontario.



BCTV/CHAN and CHEK

Big image on the small screen

Western anchor station of the Canadian Television Network, British Columbia Television illustrates the important role of Canada's private television broadcasters. With conceivably the largest private network in the world, BCTV feeds 90 rebroadcasting stations throughout British Columbia while CHEK-TV in Victoria provides programming to five rebroadcasting stations on Vancouver Island. Better than 96 percent of the population of British Columbia is served with news and entertainment programming from British Columbia Television.

Not content with this remarkable achievement, BCTV has recently made television history by building a new and innovative newsroom/studio which is unique in Canada, if not in North America. BCTV makes full use of its entire newsgathering facilities during each news and public affairs presentation. Camera shots often include reporters preparing stories, editors

viewing film or videotape, while the director controls the on-air appearance of the telecast from an open control room. There is a feeling of presence, an immediacy and a sense of involvement which brings a new dimension to news production.

British Columbia Television's News Hour has also been a leader in the Canadian industry in developing electronic newsgathering. Each day over one-half of the News Hour stories are produced on 3/4" video tape with electronic cameras. This new development makes it possible for a fast-breaking news story to be on the air within a few minutes of the event as opposed to waiting for the slow processing of film. BCTV continues to seek out ways and means of improving its service to its large and enthusiastic audience. It is the only TV station in the West to originate local news over the dinner hour seven nights a week.





LITTLE MOUNTAIN SOUND COMPANY LTD.

With some of the most advanced sound recording equipment in Western Canada, the studios of Little Mountain Sound provide the setting for a large proportion of the commercial recording undertaken in Vancouver. In these studios radio commercials are recorded for cities all over North America as well as for strictly domestic consumption, and because of its well deserved reputation for top quality, Little Mountain Sound plays host to a steady stream of the world's leading recording artists. Little Mountain Sound studios will become in the years ahead one of the leaders in the development of Canadian artists, musicians and performers.



VANCOUVER CANUCKS

In the world of professional sport, there's nothing as constant as change. The clubs strive continually to improve the performance of their teams against impressive competition. The Vancouver Canucks are no strangers to this process.

Since 1970/71, the first season to see a Vancouver member in the National Hockey League, Vancouver Canucks have been engaged in a building process. The Club gained the NHL playoffs in 1974/75 and again in 1975/76 but fell short of the playoffs by a single point in 1976/77.

Consistently excellent season ticket sales are indicative of the high interest in hockey of Vancouver fans. With the team of Jake Milford as General Manager, Orland Kurtenbach working his first full season as Coach, and Arnie Brown as Assistant Coach, the Club is optimistic about their chances for the current season. The lineup includes excellent draft choices who, together with the veterans, present a potential contender.



Western Broadcasting Company Limited

1960 - 505 Burrard Street
Vancouver, B.C. V7X 1M6

Directors

FRANK A. GRIFFITHS, C.A., Vancouver, B.C.
THE HON. WALTER S. OWEN, Q.C., Vancouver, B.C.*
J. RAYMOND PETERS, Vancouver, B.C.
PETER PAUL SAUNDERS, Vancouver, B.C.*
THEODORE S. SOSKIN, Calgary, Alberta*

*Members of the Audit Committee

Officers

FRANK A. GRIFFITHS, C.A., Vancouver, B.C.
Chairman of the Board
J. RAYMOND PETERS, Vancouver, B.C.
President
RODERICK M. MacLENNAN, Winnipeg, Manitoba
Vice-President, Manitoba
THOMAS E. DARLING, Hamilton, Ontario
Vice-President, Ontario
DAVID A. WILLIAMS, C.A., Vancouver, B.C.
Vice-President, Finance
D. ALEXANDER FARAC, B.COMM., L.L.B., Vancouver, B.C.
Secretary

Stock Transfer Agent

Canada Permanent Trust Co.

Stock Listings

The common shares of the Company are listed
on the Toronto, Calgary and Vancouver
Stock Exchanges.

Bankers

Toronto Dominion Bank
Royal Bank of Canada
Bank of Nova Scotia

Consolidated Financial Statements

Western Broadcasting Company Ltd. and subsidiary companies

Consolidated Statement of Earnings *Year ended August 31, 1977*

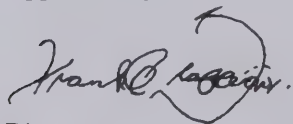
	1977	1976
Radio broadcasting revenues	\$16,820,223	\$16,014,841
Radio broadcasting expenses	11,834,367	11,276,171
Net broadcasting revenues	4,985,856	4,738,670
Hockey revenues	7,191,255	7,054,024
Hockey expenses	5,406,291	5,459,376
Net hockey revenues	1,784,964	1,594,648
Net broadcasting and hockey revenues	6,770,820	6,333,318
Investment income	509,648	375,540
Interest on long-term debt	(157,109)	(395,375)
Earnings before the following items	7,123,359	6,313,483
Deduct		
Taxes on income (including deferred taxes 1977—\$76,339; 1976—\$143,775)	3,546,940	3,077,119
Minority interest	276,603	249,795
	3,299,816	2,986,569
Equity in earnings of long-term intercorporate / investments (note 2)	953,087	961,275
Earnings before extraordinary items	4,252,903	3,947,844
Extraordinary items (note 6)	76,252	5,775,504
NET EARNINGS FOR THE YEAR	\$ 4,329,155	\$ 9,723,348
Earnings per common share		
Earnings before extraordinary items	\$1.14	\$1.05
Extraordinary items	.02	1.57
Net earnings for the year	\$1.16	\$2.62

Consolidated Balance Sheet *as at August 31, 1977*

Assets

	1977	1976
CURRENT ASSETS		
Cash	\$ 517,245	\$ 262,127
Short-term deposits	5,782,000	8,944,003
Marketable securities, at cost (quoted market value \$2,640,250; 1976—\$2,686,500)	2,261,452	2,261,452
Accounts receivable	2,706,967	2,878,478
Current portion of notes receivable	189,730	255,894
Prepaid expenses	491,147	496,288
	<u>11,948,541</u>	<u>15,098,242</u>
INVESTMENTS (note 2)	<u>9,810,926</u>	<u>7,260,576</u>
FIXED ASSETS		
Leasehold improvements, buildings and equipment, at cost	5,085,372	4,723,273
Less accumulated amortization and depreciation	<u>3,172,265</u>	<u>2,831,755</u>
	1,913,107	1,891,518
Land	305,885	276,691
	<u>2,218,992</u>	<u>2,168,209</u>
INTANGIBLE ASSETS (note 1(e))		
Hockey franchises and rights to players	12,153,473	12,153,473
Broadcast licence rights, goodwill and other intangibles	8,433,892	8,433,892
	<u>20,587,365</u>	<u>20,587,365</u>

Approved by the Board



Director



Director

\$44,565,824

\$45,114,392

Liabilities

	1977	1976
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 1,221,607	\$ 1,038,672
Income taxes payable	818,028	2,858,082
Dividend payable	381,072	331,133
Deferred revenue	4,508,647	5,039,430
Current portion of long-term debt	15,000	15,000
Deferred income taxes related to current assets	137,000	62,400
	<u>7,081,354</u>	<u>9,344,717</u>
 LONG-TERM DEBT, secured (note 3)	 <u>1,216,400</u>	 <u>1,241,500</u>
 DEFERRED INCOME TAXES	 <u>1,678,820</u>	 <u>1,677,081</u>
 MINORITY INTEREST IN SUBSIDIARY COMPANIES	 <u>1,830,146</u>	 <u>1,577,045</u>

Shareholders' Equity

CAPITAL STOCK (note 4)		
Authorized		
4,251,880 class A common shares without par value		
4,000,000 class B common shares without par value		
Issued		
Preferred shares	—	1,601,350
Common shares	<u>14,516,670</u>	<u>14,186,370</u>
	14,516,670	15,787,720
CONTRIBUTED SURPLUS (note 5)	73,720	40,690
RETAINED EARNINGS	<u>18,168,714</u>	<u>15,445,639</u>
	<u>32,759,104</u>	<u>31,274,049</u>
	<u>\$44,565,824</u>	<u>\$45,114,392</u>

Contingent liabilities (note 7)
Subsequent event (note 10)

Consolidated Statement of Retained Earnings *Year ended August 31, 1977*

	1977	1976
BALANCE AT BEGINNING OF YEAR		
As previously reported	\$15,489,484	\$ 7,156,207
Adjustment for retroactive change in accounting policy (note 2)	(43,845)	(15,151)
As restated	15,445,639	7,141,056
Net earnings for the year	4,329,155	9,723,348
	<u>19,774,794</u>	<u>16,864,404</u>
Deduct		
Dividends paid		
Preferred shares	39,520	98,702
Class A common shares	659,305	742,509
Class B common shares	780,150	577,554
	<u>1,478,975</u>	<u>1,418,765</u>
Premium paid on redemption of preferred shares	127,105	—
	<u>1,606,080</u>	<u>1,418,765</u>
BALANCE AT END OF YEAR	<u>\$18,168,714</u>	<u>\$15,445,639</u>

Consolidated Statement of Changes in Financial Position *Year ended August 31, 1977*

	1977	1976
WORKING CAPITAL DERIVED FROM		
Operations		
Earnings before extraordinary items	\$4,252,903	\$ 3,947,844
Items not involving working capital		
Depreciation and amortization	344,504	352,722
Non-current deferred income taxes	1,739	14,775
Increase in equity of long-term intercorporate investments in excess of dividends received (1977—\$463,737; 1976—\$428,065)	(489,350)	(533,210)
Minority interest in earnings before extraordinary items of subsidiary company	276,603	249,795
Recovery of current year's income taxes on application of prior years' losses	76,252	261,000
	<u>4,462,651</u>	<u>4,292,926</u>
Proceeds on disposal of investments		
Harlequin Enterprises Limited less income taxes related thereto of \$1,985,875	—	14,202,161
Other investments	—	9,385
Premium on conversion of preferred shares	33,030	30,522
Reduction in non-current portion of notes receivable	—	224,575
	<u>4,495,681</u>	<u>18,759,569</u>
WORKING CAPITAL APPLIED TO		
Increase in investments	2,061,000	46,600
Additions to fixed assets	395,287	264,036
Repayment of long-term debt	25,000	4,292,700
Redemption of preferred shares	1,398,155	—
Dividends paid—shareholders	1,478,975	1,418,765
—minority shareholders of subsidiary	23,602	—
Other	—	852
	<u>5,382,019</u>	<u>6,022,953</u>
INCREASE (DECREASE) IN WORKING CAPITAL	(886,338)	12,736,616
WORKING CAPITAL (DEFICIENCY) AT BEGINNING OF YEAR	5,753,525	(6,983,091)
WORKING CAPITAL AT END OF YEAR	<u>\$4,867,187</u>	<u>\$ 5,753,525</u>

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

These consolidated financial statements include the accounts of all subsidiary companies:

Wholly-owned by Western Broadcasting Company Ltd.

Western Broadcasting (Sports) Ltd.

Western Broadcast Sales Ltd.

Western Productions Ltd.

Western Broadcast Holdings Ltd. and its wholly-owned subsidiaries

Radio NW Ltd.

Radio OB Ltd.

Radio ML Ltd.

Saturna Properties Ltd.

Saturna Investments Ltd. and its wholly-owned subsidiary

Radio QR Ltd.

68.5% owned by Western Broadcasting (Sports) Ltd.

Northwest Sports Enterprises Ltd. and its wholly-owned subsidiaries

Vancouver Hockey Club Ltd.

Canucks Publishing Ltd.

Rochester Americans Hockey Club 1969, Inc.

Burrard Hockey Club Ltd.

(b) Foreign currency translation

Current assets and liabilities of the company's U.S. subsidiary have been translated to Canadian dollars at year-end exchange rates, all other assets and liabilities at historic rates and revenues and expenses at the average rate for the period.

(c) Accounting for long-term intercorporate investments

The investments in British Columbia Television Broadcasting System Ltd. and Little Mountain Sound Company Ltd. are accounted for by the equity method. Other investments are accounted for by the cost method.

(d) Depreciation and amortization

Fixed assets are stated at cost. Depreciation is recorded using the declining balance method at rates of 5% for buildings and 25% for broadcast equipment. Leasehold improvements are amortized on the straight-line basis, over the term of the lease, and hockey equipment is depreciated on the straight-line basis over five years.

(e) Intangible assets

Franchises, rights, goodwill and other intangibles are recorded at cost which is not being amortized as the company believes there has been no diminution in value.

(f) Accounting for certain revenues and expenses

Certain revenues and expenses which are in the nature of start-up items associated with the next

hockey season, including purchases and sales of rights to hockey players, are deferred and charged or credited against income in the next fiscal period.

(g) Income taxes

The company follows the normal practice of charging reported earnings with income taxes related to those earnings. Any differences between these taxes and taxes currently payable for the year are reflected as "Deferred income taxes".

2. INVESTMENTS

	1977	1976
Long-term intercorporate investments		
Shares at equity (i)	\$7,330,430	\$6,841,080
Shares at cost	2,046,469	—
Interest bearing notes (ii)	339,813	329,282
Other	94,214	90,214
	<u>\$9,810,926</u>	<u>\$7,260,576</u>

(i) The comparative figures for 1976 have been restated to include, retroactively, the company's equity in the results of Little Mountain Sound Company Ltd. previously accounted for by the cost method.

(ii) Together with other members of the National Hockey League, Vancouver Hockey holds notes receivable from three member clubs resulting from expansion of the NHL. In 1976 the company provided fully for one note considered doubtful and wrote down the second note still outstanding to the amount of the cash settlement agreed to in principle by negotiation. Receipt of the cash settlement has been held up pending the resolution of certain matters. As the third note is in arrears of payments in the amount of \$69,000, accrued interest of \$81,000 has not been recognized in the accounts. The notes are secured by a pledge of the franchises involved and the players' contracts and management considers this security sufficient to cover the balance outstanding.

3. LONG-TERM DEBT

	1977	1976
8½% convertible subordinated debentures due November 15, 1990	\$1,126,400	\$1,136,500
Other	105,000	120,000
	<u>1,231,400</u>	<u>1,256,500</u>
Less principal due within one year	15,000	15,000
	<u>\$1,216,400</u>	<u>\$1,241,500</u>

The debentures are convertible until maturity into common shares of a subsidiary company at \$10 per share. The company has the right to redeem the debentures at a prescribed premium until 1988 and thereafter at par, and to purchase the debentures for cancellation at prices not exceeding the redemption price thereof. The Trust Indenture requires that pay-

ments be made to the Trustees in the years 1981 through 1989 of an amount sufficient to retire \$200,000 principal of the debentures in each of these years. The sinking fund requirement has been reduced by \$573,600, the amount of debentures purchased for cancellation or converted to shares to August 31, 1977.

4. CAPITAL STOCK

Authorized

- (i) During the year the 50,842 preferred shares outstanding at December 31, 1976 were redeemed at \$27.50 per share and the authorized 5¾% cumulative preferred shares were cancelled.
- (ii) The class A and class B shares are interchangeable and have the same rights and attributes including the right to participate equally as to dividends. Dividends paid on class B shares must be equivalent to those paid on the class A shares out of tax-paid undistributed surplus on hand (as defined in the Income Tax Act of Canada) after consideration of the 15% tax paid to create it.
- (iii) 30,000 common shares have been reserved against an agreement entered into with a senior officer of the company. The agreement requires the officer to purchase 5,000 common shares and provides an option to acquire 25,000 common shares at a price of \$9.475 per share over the six year period to October 31, 1983.

Issued	Number of shares issued		
	Preferred	Class A common	Class B common
Balance August 31, 1976	64,054	2,098,585	1,579,552
On conversion of preferred shares with a par value of \$330,300	(13,212)	39,636	—
Class A shares exchanged for class B	—	(638,441)	638,441
Class B shares exchanged for Class A	—	203,497	(203,497)
Shares redeemed with a par value of \$1,271,050	(50,842)	—	—
Balance August 31, 1977	—	1,703,277	2,014,496

5. CONTRIBUTED SURPLUS

Balance August 31, 1976	\$40,690
Premium of \$2.50 per share on the conversion of 13,212 preferred shares to class A common shares during the year	33,030
Balance August 31, 1977	\$73,720

6. EXTRAORDINARY ITEMS

	1977	1976
Gain on disposal of Harlequin Enterprises Ltd. less related income tax of \$1,985,875	—	\$5,853,026
Realization of tax savings on application of loss carry-forwards	\$76,252	261,000
Write-down of notes receivable of NHL expansion clubs less related deferred income taxes of \$52,895	—	(338,522)
	\$76,252	\$5,775,504

7. CONTINGENT LIABILITIES

- (a) There is a continuing action in the United States against the NHL and its members (which include Vancouver Hockey) for damages and costs allegedly sustained by a plaintiff by reason of alleged violations of United States anti-trust laws. The NHL has answered the complaint denying the allegations. Management of the Company believes no material loss to the company will result.
- (b) An application was made on April 10, 1975 for permission to commence an action against the company and others to recover the premium paid by Standard Broadcasting Corporation Limited for shares in Bushnell Communications Limited which was over the quoted market value of the shares. The application has not yet been disposed of by the Supreme Court of Ontario. Counsel for the Company advises that it is premature at this time to comment on the possible outcome of these proceedings.
- (c) Vancouver Hockey Club Ltd. holds a 1/15th interest in a limited partnership which was formed to operate the California Golden Seals in the NHL and the Salt Lake City Golden Eagles in the CHL. Effective June 1, 1975 the partnership sold its assets and has since remained inactive. Vancouver Hockey Club Ltd. is contingently liable in the amount of \$120,000 for its share of a liability transferred to the limited partnership.
- (d) The Company is the guarantor of bank advances of an affiliated company in the amount of \$547,200.

8. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The aggregate remuneration paid or payable for the year by the Company and its subsidiaries to directors and senior officers of the company as defined in the Companies Act, British Columbia, amounted to \$389,359.

9. ANTI-INFLATION PROGRAMME

Under the Anti-Inflation Act the amount of dividends the company may pay is restricted.

10. SUBSEQUENT EVENT

On September 2, 1977 the company increased its interest in Premier Cablevision Limited to 26.2% at a further cost of \$7,277,000 which was financed in part by bank accommodation of \$6,600,000.

Auditors' Report

To the Shareholders of
Western Broadcasting Company Ltd.

We have examined the consolidated balance sheet of Western Broadcasting Company Ltd. as at August 31, 1977 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination of the financial statements of Western Broadcasting Company Ltd. was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. For British Columbia Television Broadcasting System Ltd., which is accounted for by the equity method, we have relied on the report of the auditors who examined its financial statements.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at August 31, 1977 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

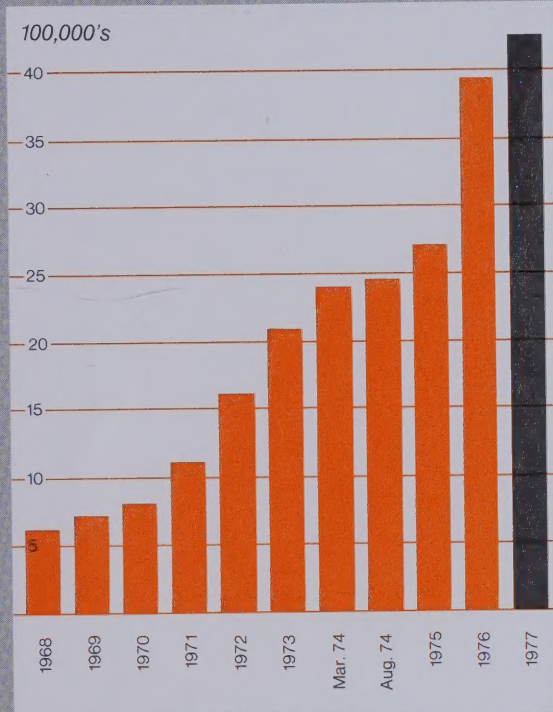
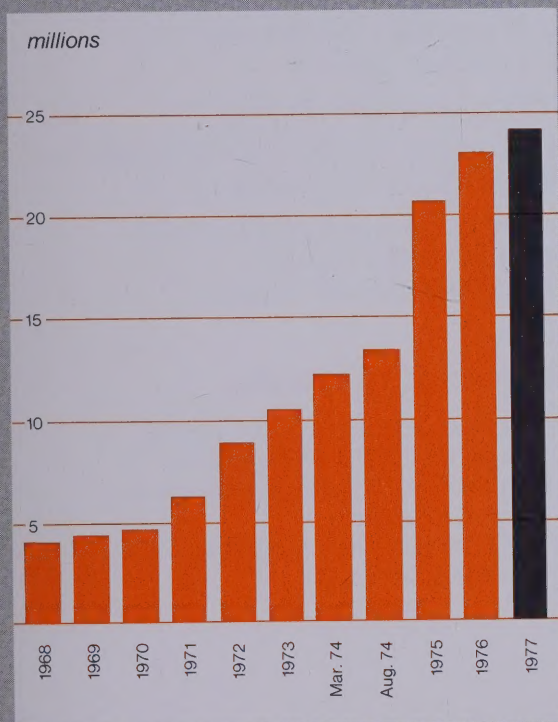
Vancouver, B.C.
October 7, 1977

A handwritten signature in dark ink, appearing to read "Thorne Riddell". The signature is fluid and cursive, with a large, stylized initial "T" and "R".

Chartered Accountants

Gross Revenue

Net Earnings



Ten Year Comparative Statement of Earnings

Year Ended	Gross Revenue	Net Operating Revenue	Income from Investments	Depreciation	Interest on Long-Term Debt	Income Taxes	Minority Interest	Net Earnings
August 31, 1977	\$24,011,478	\$8,068,411	\$509,648	\$344,504	\$ 157,109	\$3,546,940	\$276,603	\$4,252,903
August 31, 1976	23,068,865	7,647,315	375,540	352,722	395,375	3,077,119	249,795	3,947,844
August 31, 1975	20,702,639	5,957,397	574,037	300,106	2,095,597	1,430,862	22,176	2,682,693
August 31, 1974*	13,082,760	5,401,007	499,947	349,876	1,530,724	1,600,794	(15,094)	2,434,654
March 31, 1974	12,126,747	4,623,232	580,464	372,399	914,775	1,506,718		2,409,804
March 31, 1973	10,504,760	3,876,501	448,701	414,315	441,590	1,349,266		2,120,031
March 31, 1972	8,892,960	3,459,850	156,575	292,749	204,279	1,362,226		1,757,171
March 31, 1971	6,274,324	2,385,748	177,675	223,575	—	1,142,729		1,197,119
March 31, 1970	4,234,397	1,375,081	192,398	107,101	21,907	697,430		741,041
March 31, 1969	4,021,576	1,348,683	89,830	86,516	—	673,627		678,370
March 31, 1968	3,655,163	1,179,006	44,575	73,720	—	552,777		597,084

*Year end change—12 months to August 31, 1974

Above table excludes extraordinary gains, Aug. 1977, \$76,252; Aug. 1976, \$5,775,504; Aug. 1975, \$412,612; Mar. 1968, \$434,682.

Subsidiary Companies

RADIO NW LTD.

J. E. Smith, General Manager

RADIO OB LTD.

R. M. MacLENNAN, President and General Manager

RADIO QR LTD.

T. S. SOSKIN, President and General Manager

RADIO ML LTD.

T. E. DARLING, President

D. LUZZI, Manager

WESTERN BROADCAST SALES LTD.

M. J. DAVIES, Manager

WESTERN PRODUCTIONS LTD.

NORTHWEST SPORTS ENTERPRISES LTD.

COLEMAN E. HALL, President

VANCOUVER HOCKEY CLUB LTD.

WM. J. HUGHES, President

J. MILFORD, General Manager

Affiliated Companies

BRITISH COLUMBIA TELEVISION

BROADCASTING SYSTEM LTD.

J. RAYMOND PETERS, President and
General Manager

LITTLE MOUNTAIN SOUND COMPANY LTD.

R. BROOKS, Manager

